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C O N F I D E N T I A L SECTION 01 OF 02 PRAGUE 000025

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E.O. 12958: DECL: 01/09/2017

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SUBJECT: CZECH POLITICS: NEW GOVERNMENT TAKES POWER WITH
ONLY MEDIOCRE CHANCES OF SURVIVAL

Classified By: Political-Economic Counselor Mike Dodman for reasons 1.4
b+d

¶1. (SBU) SUMMARY. On January 9 Czech President Vaclav Klaus officially appointed the second government of Prime Minister Mirek Topolanek (ODS), launching the latest chapter in the electoral saga that began with the deadlocked June 2-3 parliamentary elections. Topolanek's center-right coalition with the small Christian Democrat and Greens parties has 30 days to schedule a vote of confidence. However, with exactly half of the seats in the parliament, Topolanek needs to win over at least one opposition MP in order to pass the vote of confidence, and both opposition parties have said they will not support the new government. Further, Topolanek's own position is under fire within ODS, meaning he will have to struggle even to win all his own coalition's votes. If the upcoming confidence vote fails, the new government will remain in power for potentially several months while a third coalition attempt is made. Topolanek's new government will largely be a continuation of the outgoing government in terms of foreign policy and has the potential to be even stronger than previous governments on issues of transparency, ethics, and free markets. END SUMMARY

¶2. (U) While chances for success of the newly appointed Topolanek government -- led by Topolanek's center-right ODS party and including the small Christian Democrats (KDU-CSL) and Green (SZ) parties -- are not good, the coalition has nonetheless set out an ambitious program. The new government intends to reduce taxes and introduce a flat tax, eliminate certain social benefits, introduce co-payments in health care, privatize, and increase the retirement age. The list of reforms is ambitious considering the fact that the government will not have a majority in parliament and will make it very difficult for any left-of-center opposition parliamentarians to cross the aisle and support the coalition. Former Prime Minister and Chairman of the opposition Social Democrats Jiri Paroubek announced after the new government's appointment that Topolanek's second government is even less acceptable than his first, which failed its vote of confidence on October 3rd, 2006; two recent defectors from Paroubek's party have recently said that they do not intend to support the government. The Communists also said they will not support the new government partly because of its energy policy, which is perceived as anti-nuclear at a time of increasing concern about energy supplies. There has been much debate the new government's energy policy, much of it spurred by opponents of the Green party, and unfortunately aided by missteps from the Greens themselves (including a statement from the new Education Minister that government wants to close the Temelin nuclear plant -- a stance rejected by Green Party chairman, and new Deputy PM, Martin Bursik).

¶3. (C) In terms of foreign and security policy, the new Topolanek government should perform very much like the

previous, despite several new faces. Outgoing Foreign Minister and former Czech Ambassador to the U.S. Alexander Vondra (ODS) has been promoted to Deputy Prime Minister for European Affairs. While he will not have line authority over either the MFA or MOD, we expect that Vondra will remain influential on these questions, particularly as those ministers are new to their position. Vlasta Parkanova (KDU-CSL) will take over as the country's first female Defense Minister. Although she has served on parliament's defense committee and was Justice Minister in the late, Parkanova is expected to be a rather weak minister. Senator Karel Schwarzenberg takes over as Foreign Minister. Schwarzenberg's appointment has generated considerable discussion. He is a well-respected former exile who spent most of the communist period living in Vienna (although he has dual Swiss-Czech citizenship). He comes from a Czech noble family that continues to own vast tracts of rural land.

He served as Chief of Staff to former President Havel in the 1990s, and has led many NGOs. He is a well-known promoter of democracy and human rights, who in 2005 was expelled during a visit to Cuba. He is also very close to Vondra.

Schwarzenberg is a member of the small ODA party, which years ago broke away from the ODS; he was nominated as minister by the Greens. Schwarzenberg's links to Havel, ODA, the Greens, and numerous human rights NGOs have all earned him the ire of President Klaus, who criticized the appointment but eventually agreed he had no choice but to appoint Topolánek's full cabinet, including Schwarzenberg. We have long worked closely with Schwarzenberg on human rights and other international issues, and expect he will introduce very few, if any, personnel or policy shifts at MFA. He has not spoken extensively on missile defense, but several MFA staff have told us that they know he supports Czech participation in the project and will not "rock the boat"; his new link to the

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Green party may, in fact, be productive if and when we move forward with the Czechs on missile defense.

14. (C) The new government comes to power at a time of increasing disunity within the ruling ODS party. A day before appointing the new government, President Klaus, co-founder and honorary chair of ODS, published an article in the popular weekly *Tyden* that was very critical of Topolánek and the direction he has taken the party in, particularly in reference to his alliance with the Greens. ODS Deputy Chairman, Prague Mayor Pavel Bem, has also had a public dispute with Topolánek over the past week. The press has also run stories of a fallout between Topolánek and his outgoing Finance Minister Vlastimil Tlustý (ODS), who is not in the new government but remains influential within the party. It is clear that some ODS figures are not fully behind Topolánek. One ODS MP told us January 9 that he is optimistic Topolánek will survive, "if" all the ODS MPs support him. That being said, if Topolánek loses another confidence vote, as many expect, he is likely to resign as party chairman (he has already said he would do so) and an extraordinary party congress would be held to elect a new chairman. Most observers expect that Bem would win that contest. However, the turmoil over recent weeks has exposed many divisions within ODS and it is not certain that the party would survive a succession battle in its current form.

15. (C) CSSD leader Paroubek told the Ambassador January 8 that he sees two scenarios ahead: Topolánek's new government wins its vote of confidence, which he thought highly unlikely, and CSSD enters opposition, or Topolánek fails and talks begin on some form of power sharing between the two main parties, the so-called grand coalition. In terms of the confidence vote, Topolánek has said that he does not plan to use the full 30 days. We heard from one ODS advisor Jan 9 that the vote could happen on January 30. But a Green MP also told us the vote could happen "as early as next week." If the vote fails, the current Topolánek government remains in power for as long as it takes to form a new coalition (note that the outgoing Topolánek government was in power for

over four months, despite losing a vote of confidence in its first month). The third attempt to form a government will likely involve the appointment of a new Speaker of Parliament, which Paroubek told the Ambassador would be part of the overall deal to be crafted. If the third attempt fails, the Constitution requires new elections to be called.

¶6. (U) The full composition of the new government follows below:

Prime Minister	Mirek Topolanek (ODS)
Deputy Prime Minister	Alexander Vondra (ODS) European
Affairs	
Deputy Prime Minister	Jiri Cunek (KDU-CSL) (and Regional
Development)	
Deputy Prime Minister	Martin Bursik (SZ) (and Environment)
Deputy Prime Minister	Petr Necas (ODS) (and Labor/Social
Affairs)	
Foreign Affairs	Karel Schwarzenberg (ODA; appointed
by SZ)	
Finance	Miroslav Kalousek (KDU-CSL)
Regional Development	Jiri Cunek (KDU-CSL)
Interior	Ivan Langer (ODS)
Health	Tomas Julinek (ODS)
Regional Development	Petr Gandalovic (ODS)
Labor	Petr Necas (ODS)
Transport	Ales Rebicek (ODS)
Industry	Martin Riman (ODS)
Culture	Helena Trestikova (KDU-CSL)
Environment	Martin Bursik (SZ)
Agriculture	Petr Gandalovic (ODS)
Justice	Jiri Pospisil (ODS)
Defense	Vlasta Parkanova (KDU-CSL)
Education	Dana Kuchtova (SZ)
Legislative Affairs	Cyril Svoboda (KDU-CSL)
Minister without Portfolio (for Govt Advisory Bodies)	
Dzamil Stehlikova (SZ)	
GRABER	